

DIRECT TESTIMONY
OF
RICHARD B. MESCHKE

1 Q. Please state your name and business address.

2 A. Richard B. Meschke, 411 Fayetteville Street Mall, Raleigh, North Carolina.

3 Q. What is your position with Carolina Power & Light Company?

4 A. I am the Manager - Fossil Fuel Department in the Fossil Generation Group of
5 Carolina Power & Light Company.

6 Q. Please state your educational background and experience.

7 A. I hold a law degree from Indiana University School of Law, an M.B.A. from the
8 University of Michigan, and an A.B. in economics from Wabash College. From 1975
9 until 1994, I was with AMAX Inc., a producer of metals and energy. I held various
10 positions in the coal industry at AMAX, including vice president of sales for the
11 Midwest, and president of an AMAX subsidiary, Ayrshire Land Company. I joined
12 Carolina Power & Light in 1995 as Manager - Fossil Fuel.

13 Q. What is the purpose of your testimony?

14 A. The purpose of my testimony is to show the reasonableness of the Company's fossil
15 fuel purchasing practices and to present fuel cost data for the period July 1995
16 through December 1995.

17 Q. During the period July 1995 through December 1995, how much coal did the
18 Company have under contract, and what were the spot coal requirements for this
19 period?

1 A. The Company had contracts for 3,746,000 tons of coal for shipment from July 1995
2 through December 1995 and spot orders for 1,054,600 tons of coal.

3 Q. How much contract coal and spot coal did the Company receive from purchase orders
4 issued during the test period?

5 A. The Company received 3,517,266 tons of contract coal at an average cost of
6 163¢/MBtu and 1,089,737 tons of spot coal at an average cost of 144¢/MBtu.

7 Meschke Exhibit 1 is a chart summarizing the results of purchase orders for
8 July 1995 through December 1995.

9 Q. What was the Company's inventory of coal at the end of December 1995?

10 A. The coal inventory as of December 31, 1995 was 1,155,092 tons, which would
11 provide about 28 days' generation based on an 85 percent fossil steam capacity
12 factor.

13 Q. Please describe Meschke Exhibit No. 2.

14 A. Meschke Exhibit No. 2 shows the quality of coal received each month during the
15 period.

16 Q. What was the average nuclear fuel cost for the generation of electricity during the
17 period July 1995 through December 1995?

18 A. The average cost of nuclear fuel consumed in the generation of electricity during the
19 period July 1995 through December 1995 was 45¢/MBtu.

20 Q. During the period July 1995 through December 1995, how many gallons of No. 2
21 fuel oil did the Company receive and at what cost?

22 A. The Company received a total of 6,277,280 gallons of No. 2 fuel oil at an average of
23 55¢/gallon (397¢/MBtu) from July 1995 through December 1995.

24 Q. What was the Company's closing oil inventory on December 31, 1995?

1 A. The Company's closing oil inventory on December 31, 1995 was 6,457,381 gallons
2 of No. 2 fuel oil.

3 Q. During the period July 1995 through December 1995, how many gallons of propane
4 did the Company receive and at what cost?

5 A. The Company did not receive any propane from July 1995 through December 1995.

6 Q. What was the Company's closing propane inventory on December 31, 1995?

7 A. The Company's closing propane inventory on December 31, 1995 was 693,821
8 gallons.

9 Q. How much natural gas did the Company burn during the six-month period ending in
10 December 1995?

11 A. The Company burned 515,888 MCF of natural gas from July 1995 through December
12 1995 at a cost of 228¢/MBtu.

13 Q. Were the inventory levels maintained during the test period appropriate and were your
14 fuel procurement practices reasonable and prudent?

15 A. Yes. The inventory levels ensured an adequate supply of fuel to meet our customer's
16 electrical requirements during this period and the fuel was secured at a reasonable
17 cost utilizing prudent procurement practices and procedures.

18 Q. Does this conclude your testimony?

19 A. Yes, it does.

CAROLINA POWER & LIGHT COMPANY

ANALYSIS OF COAL PURCHASES FOR July 1995 through December 1995

	ORDERED				RECEIVED				VARIANCE			
	Tonnage	Price \$/Ton	Quality Btu/Pound	Cost c/MBtu	Tonnage	Price \$/Ton	Quality Btu/Pound	Cost c/MBtu	Tonnage	Price \$/Ton	Quality Btu/Pound	Cost c/MBtu
Spot	1,054,600	22.63	12,287	144.32	1,089,737	22.84	12,378	144.03	35,137	0.21	91	(0.29)
Contract	3,746,000	34.68	12,367	183.32	3,517,266	35.41	12,471	184.79	(228,734)	0.73	104	1.47
Total	4,800,600	32.03	12,349	174.75	4,607,003	32.44	12,449	175.15	(193,597)	0.41	100	0.40

July - November Data as of 1/09/96
December Data as of 1/21/96

Revised 3/13/96 to reflect adjustments

Meschke Exhibit No. 1
SCPSC Docket No. 96-001-E

Revised



CAROLINA POWER & LIGHT COMPANY

ANALYSIS OF COAL PURCHASES FOR July 1995 through December 1995

	ORDERED				RECEIVED				VARIANCE			
	Tonnage	Price \$/Ton	Quality Btu/Pound	Cost c/MBtu	Tonnage	Price \$/Ton	Quality Btu/Pound	Cost c/MBtu	Tonnage	Price \$/Ton	Quality Btu/Pound	Cost c/MBtu
Spot	1,054,600	22.63	12,287	144.32	1,089,737	22.84	12,378	144.03	35,137	0.21	91	(0.29)
Contract	3,746,000	29.74	12,367	163.37	3,517,266	30.04	12,471	163.26	(228,734)	0.30	104	(0.11)
Total	4,800,600	28.17	12,349	159.19	4,607,003	28.33	12,449	158.71	(193,597)	0.16	100	(0.48)

July - November Data as of 1/09/96
December Data as of 1/21/96

Meschke Exhibit No. 1
SCPSC Docket No. 96-001-E

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CAROLINA POWER & LIGHT COMPANY
ANALYSIS OF QUALITY OF FUEL AS RECEIVED

<u>Month</u> (a)	<u>Type</u> (b)	<u>Percent Moisture</u> (c)	<u>Percent Ash</u> (d)	<u>Percent Sulfur</u> (e)	<u>Btu/Pound</u> (f)
July 1995	Contract Coal	6.05	10.50	.83	12,522
	Spot Coal	5.79	10.00	1.17	12,506
August 1995	Contract Coal	6.16	10.56	.84	12,502
	Spot Coal	5.82	9.93	1.20	12,479
September 1995	Contract Coal	6.14	10.67	.85	12,471
	Spot Coal	5.83	10.67	1.10	12,331
October 1995	Contract Coal	6.53	10.80	.91	12,483
	Spot Coal	6.66	10.50	1.05	12,242
November 1995	Contract Coal	6.14	10.64	.88	12,502
	Spot Coal	6.56	10.54	1.06	12,258
December 1995	Contract Coal	6.39	11.03	.82	12,446
	Spot Coal	6.40	10.31	1.00	12,339